



NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

FOR IMMEDIATE RELEASE
August 15, 2005

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STATE INVESTMENTS IN URBAN REAL ESTATE REAPING HEFTY FINANCIAL RETURNS WHILE STRENGTHENING CALIFORNIA'S INNER CITIES

*New Report Shows Urban Investments Spurred by California Treasurer Angelides'
Double Bottom Line Initiative Greatly Outpacing Market Benchmarks*

SACRAMENTO, CA – California State Treasurer Phil Angelides today hailed the success of the State's investments in urban and underserved California communities shown in today's report from the California Public Employees' Retirement System (CalPERS) on the performance of its California Urban Real Estate (CURE) investments – a key component of the Treasurer's *Double Bottom Line* Initiative launched in May of 2000. Today's report shows that the fund's real estate investments in these communities are generating exceptional returns in markets that had been historically overlooked by investors.

"The strong earnings reported today prove once again that we can do well by doing good. CalPERS' urban real estate investments are achieving *Double Bottom Line* success – generating solid earnings for taxpayers and pensioners, and at the same time creating housing, jobs and economic opportunity in California's underserved communities," said Angelides. "The public commitment that we have made over the past five years has paid off and has given real hope to communities that are struggling to lift themselves up economically."

In 2000, Treasurer Angelides launched his groundbreaking investment initiative – *The Double Bottom Line: Investing in California's Emerging Markets* – which has successfully directed more than \$11 billion in investment capital at CalPERS, the California State Teachers' Retirement System (CalSTRS), and the State's investment funds to spur economic progress in California's inner cities and underserved communities. This strategy marked a fundamental shift in state policies by investing to fulfill the "double bottom line" goals of solid returns for the State's pension and investment funds and broadened opportunity in California communities.

As a key component of the Treasurer's *Double Bottom Line* investment strategy, Angelides successfully urged both CalPERS and CalSTRS, the nation's largest and third-largest pension funds, to adopt the goal of investing two percent of their investment portfolios in domestic emerging markets – communities that have struggled to attract investment capital, but that hold great potential for financial returns and economic

success – and to make significant real estate investments in California’s urban neighborhoods. As a part of this overall initiative, CalPERS expanded its urban real estate investments in 2000 and launched the CURE initiative in 2001. The *Double Bottom Line* initiative is now looked to as a model for public and private sector investment officials across the country, and earned Treasurer Angelides the National Inner City Leadership Award from the Initiative for a Competitive Inner City in 2003.

Today’s report on the CURE initiative highlights the good business sense of investing in urban, inner-city neighborhoods. The report shows that returns on CalPERS’ urban real estate investment are extremely strong – performing at double or triple the industry average tracked by the leading national benchmark. Since CURE’s inception, CalPERS’ annual returns have been 22.2% through December 31, 2004, compared to benchmark industry returns as measured by NCREIF (National Council of Real Estate Investment Fiduciaries) of 8.1 percent.

Through CURE, CalPERS has directly invested approximately \$1.2 billion of equity into urban real estate projects which have a total asset value of approximately \$4.4 billion. The vast majority of CURE’s investment, \$783 million, has been in California communities. CalPERS has committed a total of approximately \$3.4 billion to its California urban real estate investments – up from \$50 million when Treasurer Angelides took office in 1999.

The success of CURE shown in today’s report was praised by leading experts in the field:

“Our urban communities hold the fastest growing labor force in the new economy. Treasurer Angelides’ innovative approach to investing is successfully tapping the skills, resources, and promise of these communities that have too often been overlooked. Today’s report shows that investing in inner cities strengthens the communities while providing solid returns for investors,” said Professor Michael Porter who heads the Institute for Strategy and Competitiveness at Harvard Business School, and founded the Initiative for a Competitive Inner City.

“This report confirms that careful real estate investments in urban core locations help revitalize these communities while producing excellent risk adjusted returns for investors,” said Ken Rosen, Professor of Real Estate and Urban Economics at the University of California, Berkeley’s Haas School of Business.

More information on the Treasurer’s Double Bottom Line investment initiative is available online at: http://www.treasurer.ca.gov/publications/dbl/five_years.pdf.

Today’s report on CURE is available online on CalPERS’ website: www.calpers.ca.gov.

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